

## DEPARTMENT OF FINANCE AND ADMINISTRATION Policy 14

### Policy 14 - Use of Automated Clearing House for Transfer of Funds to Employees and Vendors

#### Component 01 - Basis for Authority and Background

##### Section 01 - Applicable State Law -

§14-01-101: Accounting Powers Granted By State Law - According to T.C.A. 4-3-1007, the Department of Finance and Administration "shall have power and shall be required: (1) To maintain a system of general accounts embracing all the financial transactions of state government; (2) To examine and approve all contracts, requisitions, orders, payrolls, and other documents, the purpose of which is to incur financial obligations against the state government, and to ascertain that moneys have been duly appropriated and allotted to meet such obligations and will be available when such obligations will become due and payable;... (6) To prescribe by means of written procedures the forms of receipts, vouchers, bills, or claims to be used by and the responsibilities and duties required of each fiscal officer of any and all departments, institutions, offices and agencies of the state government. All such written procedures shall become effective upon approval by the commissioner of finance and administration and the comptroller of the treasury;...

##### Section 02 - Background

§14-01-102: Background - In 1981, the payroll section of the Division of Accounts, Department of Finance and Administration, implemented an automated deposit procedure for state employees whereby the net amounts due an employee for monthly or semimonthly payroll and year-end longevity payments could be deposited directly into the bank account of the employee if the employee chose this method of payment. Under the provisions of this Policy Statement 14, an employee who has authorized automated deposit of payroll will also have travel claim reimbursements and other nonpayroll items deposited into his bank account by the automated deposit method.

The capability to deposit funds directly to county and local government vendors has also been in effect for a number of years on a limited basis. At the present time, the state is prepared to extend the capability of automated deposit to other vendors who make a one-time election for this method of reimbursement as a part of their contract with the State. The vendor paid under this arrangement will receive payment for all invoices billed to the various departments and agencies of the State in a single automated payment to his account during the bill paying cycle.

##### Section 03 - General Rules and Applicability

§14-01-301: General Rule - If an employee has elected the automated deposit method for his or her payroll reimbursement, the automated deposit method for all items owed to the employee in addition to payroll amounts will be used to reimburse the employee. Vendors may elect as a part of their contract with the State to have all payments owed to them by the departments or agencies of the State deposited into their bank account by periodic automated deposit during the bill paying cycle. The Division of Accounts may elect to require automated deposits for all new employees and vendors under new contract in the future. For both employees and vendors presently enrolled and future enrollees, these automated deposits shall be accounted for according to the guidelines of this Policy Statement 14.

Section 04 - Effective Date

§14-01-401: Effective Date - This Policy Statement 14 shall become effective upon issuance, and shall be applied to both payroll and nonpayroll amounts owed eligible employees as of January 1, 1990, and thereafter, and for vendors as they elect this method of payment.

Component 02 - Policy on the Automatic Deposit of  
Amounts Owed An Employee

Section 01 - Eligibility and Accounting

§14-02-101: Eligibility - Non-payroll items owed to an employee include reimbursements for travel claims, refunds of insurance premiums, and other similar items which the State may owe to the employee. To be eligible for the automated deposit of non-payroll amounts owed an employee, the employee must also be enrolled in the payroll automated deposit program. When an employee makes the election for automated deposit of payroll by completing the Authorization Agreement for Automated Deposit, this becomes an automatic election by the employee to have all payroll and nonpayroll amounts deposited into his/her account. For employees currently enrolled, the election will be in effect until such time as the employee, by written procedures prescribed by the payroll section of the Division of Accounts, cancels the election. If, at a later time, the Division of Accounts requires all employees to participate in automated payroll deductions, the election will be permanent.

§14-02-102: Accounting - The Division of Accounts may transfer funds to an employee's account under three circumstances as follows:

1. Employee payroll - When the Division of Accounts transfers an employee's payroll to the employee's bank account, a credit error may be made, resulting in an overpayment to the employee. When the error is discovered, the error may be corrected by one of the following methods:

A. If the error is discovered by the Division of Accounts prior to notification to the employee of the payroll deposit, and prior to the effective date of the deposit, and

(1) the error is less than \$100.00, the Division of Accounts shall have the authority to debit the employee's account in the amount of the error, thereby effectively depositing the correct amount into the employee's account.

(2) the error is greater than \$100.00, the Division of Accounts shall issue a recall notice to the employee's bank. The bank will return the entire amount deposited. A new deposit will then be sent to the bank for the correct amount.

B. If the error is discovered after the effective date of the deposit, the employee and the employing agency shall be notified that the employee has been overpaid. In that event, the repayment of the amount in error shall be made using one of the methods for repayment prescribed in policy statement 11, Recovery of Overpayments to Employees.

2. Employee travel claims - When an employee submits a travel claim for reimbursement to the Division of Accounts, the travel claim shall be submitted in accordance with the current Comprehensive Travel Regulations. The following procedure shall be used:

A. The employing department will audit the travel claim according to its normal procedure and, if the claim is approved, the authorization to pay said claim will be submitted to the Division of Accounts for payment. Within five business days after

approval by the Division of Accounts (subject to the assignment of a due date by the employing agency), the travel reimbursement shall be deposited into the employees bank account using the bank account number provided by the employee in authorizing automatic deposit of payroll.

B. If a credit error is made by the Division of Accounts in transferring the funds to the employees account, resulting in an overpayment to the employee, the error may be corrected by one of the following methods:

(1) If the error is discovered by the Division of Accounts prior to notification to the employee of the deposit, and prior to the effective date of the deposit, and

(a) the error is less than \$100.00, the Division of Accounts shall have the authority to debit the employees account in the amount of the error, thereby effectively depositing the correct amount into the employee's account.

(b) the error is greater than \$100.00, the Division of Accounts shall issue a recall notice to the employee's bank. The bank will return the entire amount deposited. A new deposit will then be sent to the bank for the correct amount.

C. If the error is discovered after the effective date of the deposit, the employee and the employing agency shall be notified that the employee has been overpaid. In that event, the repayment of the amount in error shall be made using either the cash repayment or miscellaneous deduction procedures prescribed in Policy Statement 11, Recovery of Overpayments to Employees.

D. If any item(s) on a travel claim is questioned by the employing department or the Division of Accounts, resolution of the item(s) in question must take place before the travel reimbursement can be made.

3. Other nonpayroll items - Other non-payroll items owed to an employee such as refund of insurance premiums and similar items shall be deposited directly into an employee's account after determination is made of the amount owed the employee and proper authorization is received by the Division of Accounts. The same authorization to debit the employee's account to correct a deposit error shall govern the deposit procedure.

If underpayment of an amount is owed an employee under any of the three circumstances and the error is discovered before or after the employee is notified of the deposit, any additional amounts owed the employee shall be deposited into the employee's account and shall be included in a notification of deposit to the employee.

The employee shall be provided with an itemized notification of all amounts deposited by the automated method within three (3) working days after the deposit is made.

Component 03 - Direct Deposit of Amount Owed to Vendors  
Section 01 - Eligibility and Accounting

§14-03-101: Eligibility - A vendor who does business with the State of Tennessee can, as a part of the business contract with the State, make a one-time election to have periodic

payment of amounts billed by invoice to the State or its agencies be deposited into an authorized business bank account by completing an Authorization Agreement for Automatic Deposits.

§14-03-102: Accounting - The following accounting procedures shall be followed for payment to a vendor:

1. If one or more agencies or departments of the State receives an invoice for payment, the Division of Accounts will, after approval of the invoices, deposit the total amount owed that vendor into the vendors bank account. The vendor shall be furnished with a detailed remittance advice with each state agency's or department's invoices detailed as a line item. All cash discounts for prompt payment shall be deducted from the gross amount and the net amount shall be the amount of the deposit.

2. If a credit error in the amount of the deposit occurs so that an overpayment to the vendor's account is made, the error may be corrected in one of the following ways:

- A. If the error is discovered by the Division of Accounts prior to notification to the vendor by a remittance advice and prior to the effective date of the deposit, and

- (1)the error is less than \$100.00, the Division of Accounts shall have the authority to debit the vendor's account in the amount of the error, thereby effectively depositing the correct amount into the vendor's account.

- (2)the error is greater than \$100.00, the Division of Accounts shall issue a recall notice to the vendor's bank. The bank will return the entire amount deposited. A new deposit will then be sent to the bank for the correct amount.

- B. If the error is discovered after the effective date of the deposit, the amount of the credit error shall be deducted from the next payment to that vendor, or the vendor shall be asked to remit the overpayment to the State. The decision for the treatment of the overpayment shall be made by the Division of Accounts and shall depend on the frequency with which the State does business with the vendor and/or the amount of the overpayment.

3. If underpayment has been made to the vendor and the error is discovered before the vendor's remittance advice is issued, any additional amount shall be deposited into the vendors account and the reconciliation shall be itemized on the vendors remittance advice.

4. The vendor shall be given an accounting of the automatic deposit to its account in a daily remittance advice mailed by the Division of Accounts, detailing by line item each agency or department invoice which has been paid by automatic deposit. This shall include the name of the invoiced department, the invoice number for which payment is made, and the net amount of the payment for that invoice.

5. The department or agency will receive its daily and monthly expenditure report as is currently provided.

Component 04 - Approvals

Section 01 - Commissioner of Finance and Administration

§14-04-101: Approval of the Commissioner of Finance and Administration - I, David L. Manning, hereby approve of this Policy Statement 14 of the Department of Finance and Administration, and as such agree with and authorize actions necessary to implement its requirements.

Signed: \_\_\_\_\_ Date: \_\_\_\_\_  
David L. Manning, Commissioner  
Department of Finance and Administration

Section 02 - Comptroller of the Treasury

§14-04-102: Approval of the Comptroller of the Treasury -  
I, William R. Snodgrass, hereby approve of the Policy Statement 14 of the Department of Finance and Administration, and as such agree with and authorize actions necessary to implement its requirements.

Signed: \_\_\_\_\_ Date: \_\_\_\_\_  
William R. Snodgrass, Comptroller  
Office of the Comptroller of the Treasury